

Market Review

The selloff of global fixed income continued into March. The global vaccination rollout faces some hiccups but is generally progressing well in major developed economies such as Europe, the US and UK. Oil prices, closer to month-end, were more volatile due to the Suez canal being blocked by a container ship. On the other hand, global equity markets continued to appreciate in March, driven higher by US and European equities. Emerging Markets (EM) were dragged down by the strength of the US dollar, which rose amidst the American exceptionalism rhetoric. Against this backdrop, MSCI Asia ex Japan was the worst performing region, generating losses of -2.66% in March (in USD terms, net dividends excluded), underperforming the MSCI World Index which gained 3.11% during the month (in USD terms, net dividends excluded).

CANBERRA • BEIJING • HONG KONG

Australia

- Australia All Ordinary Index was up 1.10% in March (in local currency terms, net dividends excluded).
- Outperformance from Consumer Discretionary and Utilities.
- Underperformance from Materials and IT.
- The Australian yield curve flattened, with the 2-year bond yield down 3bps to 0.09% while the 10-year bond yield went down 4bps to 1.81%.
- The Australian Dollar (AUD) depreciated in March against the US Dollar (USD) as the USD index went up.
- Australia's 4Q20 GDP was up 3.1% quarter-on-quarter (qoq). The strong GDP reading was helped by the Reserve Bank of Australia (RBA) slashing interest rates three times last year to a record low of 0.1% and launching an unprecedented quantitative easing programme.
- RBA maintained its cash rate at 0.1% and committed to maintaining its "highly supportive monetary conditions" until its employment and inflation goals are met.

China

- MSCI China Index fell -6.29% in March (in USD terms, net dividends excluded).
- Outperformance from Utilities, Financials and Real Estate.
- Underperformance from Communication Services, Consumer Discretionary and Materials.
- Manufacturing Purchasing Managers' Index (PMI) rebounded to 51.9 in March from 50.6 in February.
- Industrial production and retail sales beat the market expectations but fixed asset investment slowed down notably.

- Consumer Price Index (CPI) inflation remained weak at -0.2% year-on-year (yoy) in February.
- China aims to expand its economy by more than 6% in 2021, with the government setting its 2021 fiscal deficit target at 3.2% of GDP.

Hong Kong

- MSCI Hong Kong Index stayed flat at 0.00% in March (in USD terms, net dividends excluded).
- Outperformance from Industrials and Utilities.
- Underperformance from IT and Consumer Staples.
- Headline CPI in February rose 0.4% yoy compared to 1.9% yoy in January.
- Food prices rose 0.7% yoy backed by resumed consumption demand during the Chinese New Year holiday, while prices of clothing/footwear, transport and durable goods eased further.
- Most categories are far from the pre-pandemic growth trend despite the low base.

NEW DELHI • JAKARTA • TOKYO • KUALA LUMPUR

India

- MSCI India Index was up 2.22% in March (in USD terms, net dividends excluded).
- Outperformance from Materials, Energy and IT.
- Underperformance from Communication Services, Financials and Utilities.
- For India, a global reflation may be coming just at the opportune time with both economic growth and corporate profits as a proportion of GDP starting at multi-year lows.
- The domestic environment is conducive as the last few years have seen significant positives such as a clean-up in Indian banks' balance sheets, corporate balance sheets, leaner cost structures and corporate taxes reforms etc.
- The government is also willing to do the heavy lifting initially to kickstart the growth engine, which should eventually crowd in the private sector.

Indonesia

- MSCI Indonesia Index was down -6.50% in March (in USD terms, net dividends excluded).
- Outperformance from Consumer Staples and Healthcare.
- Underperformance from Materials, Utilities and Financials.
- In its March meeting, Bank Indonesia left policy, deposit and lending facility rates unchanged as widely expected.
- The statement noted that the decision was in line with the need to maintain the stability of the Rupiah exchange rate against increasing uncertainty on global financial markets, amidst the forecast for inflation that remains low.
- Going forward, the Central Bank reiterated it would keep an accommodative monetary policy mix to assist the domestic recovery, reaffirming the real GDP growth forecast of 4.3% to 5.3% for 2021.
- The outlook for Indonesia looks positive given that it will benefit from both structural tailwinds and from the relatively quicker post-COVID economic recovery, supported by the country's ability for further fiscal support as well as the economy's main reliance on domestically driven activities.

Japan

- MSCI Japan Index was up 0.34% in March (in USD terms, net dividends excluded).
- Although Japan's vaccinations lag Europe and the US, the retreat of winter outbreak has laid the ground for a solid recovery.
- Mobility data improved further in early March and business sentiment continued to recover, with cash earnings picking up to pre-COVID levels.
- Exports expanded in early 2021 as compared with 4Q21.
- Overall, Japan's economy may avoid a contraction in 1Q21, supported by business capex and exports.
- In light of the brighter economic outlook, inflation is expected to pick up from the negative territory and print positive for the full year.

Malaysia

- FTSE Bursa Malaysia Index was down -0.27% in March (in local currency terms, net dividends excluded).
- Oil prices corrected during the month, breaking a 4-month rally-streak.
- Palm oil prices also recovered, up 1.9% month-on-month (mom), driven by lower production and labour shortages in the sector.
- At the same time, USD continue to rally on rising yields, pushing up the USD/MYR rate.
- Elsewhere, Bank Negara left the Overnight Policy Rate (OPR) unchanged at 1.75% during their recent policy meeting.
- Malaysia announced a new stimulus package amounting to RM20 billion to revitalize economic activity, which includes a RM11 billion fiscal injection.
- On the back of the implementation of this new stimulus package, the Finance Ministry expect Malaysia's statutory debt level to hit 58.5% of GDP in 2021.

WELLINGTON • MANILA • SINGAPORE • BANGKOK

New Zealand

- New Zealand SE 50 Index was up 2.09% in March (in local currency terms, net dividends excluded).
- The New Zealand Dollar (NZD) depreciated in March against the USD, as USD index went up.
- 4Q GDP was down -1% qoq, below the Reserve Bank of New Zealand's (RBNZ) flat estimate.
- COVID-19 restrictions are still having an impact on economic activity as all regions of New Zealand were at COVID-19 alert level 1 in 4Q and borders remained closed to international tourists for the entirety of the quarter.
- Goods-producing industries declined by 3.2% in 4Q, with the decline led by the construction and manufacturing sectors.
- At the same time, this fall was counterbalanced by rises in transport, postal, and warehousing services which remained steady throughout the quarter.

The Philippines

- MSCI Philippines Index was down -5.04% in March (in USD terms, net dividends excluded).
- The Central Bank kept its key policy rate unchanged at the March meeting, in line with expectations, with much of the meeting focused on inflation risks.
- Headline inflation in February hit a two-year high of 4.7% yoy on higher food and transport costs and it is noted that inflation may breach the upper end of the target range of 2% to 4% in 2021.
- Looking ahead, the Central Bank revised up its 2021 average inflation forecast to 4.2% from the 4.0% forecast announced in February.
- Over the first quarter of the year, Philippines struggled with many headwinds unravelling such as inflationary pressures, delayed vaccine purchases and spike in COVID-19 cases.
- However, some positive developments are evident, given the structural tailwinds and the domestic-driven nature of this economy.

Singapore

- MSCI Singapore Index was up 5.05% in March (in USD terms, net dividends excluded).
- Outperformance by Real Estate, Consumer Discretionary and Industrials.
- Industrial Production rose 16.4% yoy in February.
- CPI inflation came in at 0.7% in February, in line with expectations.
- The market remains optimistic on the expectation of a sharp economic recovery and a well-executed COVID-19 vaccination plan.
- Over the longer-term, the pace of Singapore's economy and equity market to recover is premised on the reopening of its borders due to its regional and global exposures.

Thailand

- MSCI Thailand Index went up 1.82% in March (in USD terms, net dividends excluded).
- Outperformance from Real Estate, Consumer Staples and Consumer Discretionary.
- Underperformance from IT, Utilities and Energy.
- Bank of Thailand held its policy rate at record low of 0.5% in the March meeting and lowered its 2021 economic outlook to 3.0% from the previous forecast of 3.2%.
- CPI deflation worsened to -1.2% yoy in February from -0.3% in January, primarily on lower utility prices.
- As a country heavily reliant on its tourism industry, the Thai government has approved the extension of the 'We Travel Together' scheme to boost domestic tourism.

Index (as of end March 2021)	Return (dividend excluded) in local currency				Return (dividend excluded) in USD			
	1 Month	3 Months	1 Year	YTD	1 Month	3 Months	1 Year	YTD
Australia All Ordinary	1.10%	2.43%	37.30%	2.43%	-0.54%	1.10%	70.86%	1.10%
CSI 300	-5.40%	-3.13%	36.95%	-3.13%	-6.77%	-3.35%	48.20%	-3.35%
Hang Seng China Enterprises	-2.45%	2.18%	14.35%	2.18%	-2.66%	1.91%	14.01%	1.91%
Hang Seng Index	-2.08%	4.21%	20.23%	4.21%	-2.29%	3.94%	19.87%	3.94%
India National	0.95%	5.41%	71.46%	5.41%	1.46%	5.34%	77.41%	5.34%
Jakarta Composite	-4.11%	0.11%	31.87%	0.11%	-5.99%	-3.17%	48.08%	-3.17%
Nikkei 225	0.73%	6.32%	54.25%	6.32%	-2.88%	-0.66%	50.69%	-0.66%
Korea Composite	1.61%	6.54%	74.48%	6.54%	0.87%	2.26%	87.67%	2.26%
FTSE Bursa Malaysia KLCI	-0.27%	-3.30%	16.48%	-3.30%	-2.60%	-6.31%	21.09%	-6.31%
New Zealand SE 50	2.09%	-4.75%	25.58%	-4.75%	-1.67%	-7.35%	48.35%	-7.35%
Philippine SE Composite	-5.18%	-9.76%	21.08%	-9.76%	-5.21%	-10.71%	26.88%	-10.71%
FTSE Singapore Straits Times	7.33%	11.31%	27.57%	11.31%	5.96%	9.49%	35.29%	9.49%
Taiwan Weighted	2.99%	11.53%	69.25%	11.53%	0.54%	9.83%	79.39%	9.83%
Bangkok SET	6.04%	9.51%	40.98%	9.51%	2.26%	4.99%	48.05%	4.99%
MSCI AC Asia ex Japan	-1.95%	3.73%	49.58%	3.73%	-2.66%	2.45%	54.16%	2.45%
MSCI AC Pacific ex Japan	-1.76%	3.51%	44.83%	3.51%	-2.75%	2.08%	53.65%	2.08%
Dow Jones Industrial	6.62%	7.76%	50.48%	7.76%	6.62%	7.76%	50.48%	7.76%
S&P Composite	4.24%	5.77%	53.71%	5.77%	4.24%	5.77%	53.71%	5.77%
FTSE 100	3.55%	3.92%	18.37%	3.92%	4.93%	2.96%	6.38%	2.96%
CAC 40	6.38%	9.29%	38.01%	9.29%	3.01%	4.98%	47.83%	4.98%
DAX 30	8.86%	9.40%	51.05%	9.40%	5.41%	5.09%	61.80%	5.09%
MSCI Europe	5.72%	6.97%	31.76%	6.97%	2.73%	3.52%	42.00%	3.52%
MSCI World	3.99%	5.74%	48.52%	5.74%	3.11%	4.52%	51.76%	4.52%

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